



KINGMAKER FOOTWEAR HOLDINGS LIMITED
信星鞋業集團有限公司

*Mounting
New Heights*

Interim Report 2004



UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Kingmaker Footwear Holdings Limited (the “Company”) takes the pleasure to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2004, which were prepared in accordance with accounting principles generally accepted in Hong Kong and reviewed by the Company’s audit committee, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30th September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	831,399	692,114
Cost of Sales		(711,594)	(568,809)
Gross Profit		119,805	123,305
Other Revenue		2,103	2,327
Distribution and Selling Costs		(18,310)	(14,473)
Administrative Expenses		(39,565)	(42,232)
Profit from Operating Activities		64,033	68,927
Finance Costs		(151)	(257)
Profit Before Tax	3	63,882	68,670
Tax	4	(1,927)	(2,229)
Net Profit from Ordinary Activities Attributable to Shareholders		61,955	66,441
Dividend – Interim	5	22,919	22,919
Earnings per Share			
– Basic	6	HK9.46 Cents	HK10.15 Cents
– Diluted	6	N/A	HK10.15 Cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September 2004 HK\$'000	As at (Unaudited)* 30th September 2003 HK\$'000	(Audited) 31st March 2004 HK\$'000
	Notes			
Non-current Assets				
Fixed Assets	7	458,834	447,693	447,484
Long Term Investments		596	288	652
		459,430	447,981	448,136
Current Assets				
Inventories		196,446	194,390	200,644
Accounts and Bills Receivable	8	178,916	129,720	104,503
Prepayments, Deposits and Other Receivables		3,818	3,635	4,850
Tax Recoverable		111	90	111
Cash and Cash Equivalents		148,081	195,939	179,950
		527,372	523,774	490,058
Current Liabilities				
Accounts Payable	9	159,712	148,516	113,989
Accrued Liabilities and Other Payables		61,017	60,271	75,868
Tax Payable		80,063	73,182	77,979
Interest-bearing bank borrowings	11	5,996	38,400	7,378
		306,788	320,369	275,214
Net Current Assets		220,584	203,405	214,844
Total Assets less Current Liabilities		680,014	651,386	662,980
Non-current Liabilities				
Bank Loan, unsecured	11	–	(1,950)	–
		680,014	649,436	662,980
Capital and Reserves				
Issued Capital	10	65,483	65,483	65,483
Reserves		591,612	561,034	551,659
Proposed Dividend		22,919	22,919	45,838
		680,014	649,436	662,980

* For reference only.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September 2004*

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(2,671)	76,182
Net cash outflow in investing activities	(28,733)	(46,910)
Net cash inflow/(outflow) in financing activities	(1,382)	13,022
Increase/(Decrease) in cash and cash equivalents	(32,786)	42,294
Cash and cash equivalents at beginning of period	179,950	153,456
Effect of foreign exchange rate changes, net	917	189
Cash and cash equivalents at end of period	148,081	195,939
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	148,081	195,939

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)						
	Capital			Exchange Reserves	Retained Profits	Proposed Dividend	Total
	Share Capital	Share Premium	Redemption Reserves				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<i>For the six months ended 30th September 2004</i>							
At 1st April 2004	65,483	71,132	53	(1,678)	482,152	45,838	662,980
Exchange reserve arising on consolidation of subsidiaries	-	-	-	917	-	-	917
2004 final dividends paid	-	-	-	-	-	(45,838)	(45,838)
Net profit for the period	-	-	-	-	61,955	-	61,955
2004/05 interim dividend proposed	-	-	-	-	(22,919)	22,919	-
At 30th September 2004	65,483	71,132	53	(761)	521,188	22,919	680,014
<i>For the six months ended 30th September 2003</i>							
At 1st April 2003	65,476	71,489	12	(1,678)	447,861	45,838	628,998
Issue of shares – exercised options	48	351	-	-	-	-	399
Shares repurchased and cancelled	(41)	-	41	-	(750)	-	(750)
Exchange reserve arising on consolidation of subsidiaries	-	-	-	189	-	-	189
Dividends paid in the period	-	-	-	-	(3)	(45,838)	(45,841)
Net profit for the period	-	-	-	-	66,441	-	66,441
Interim dividend	-	-	-	-	(22,919)	22,919	-
At 30th September 2003	65,483	71,840	53	(1,489)	490,630	22,919	649,436

NOTES:**1. Principle Accounting Policies**

The unaudited condensed interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.125 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed interim financial statements should be read in conjunction with the 2003/04 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2004. Certain comparative figures have been reclassified to conform with current presentation.

2. Segmental Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) *Business Segments*

The following tables present revenue, results and certain expenditure information for the Group's business segments.

	(Unaudited)				
	Rugged footwear	Casual footwear	Baby and children's footwear	Sportswear and sport shoes	Consolidated
	2004	2004	2004	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	163,738	287,444	376,076	4,141	831,399
Segment results	16,099	25,084	28,516	(2,797)	66,902
Unallocated income					3,100
Unallocated expenses					(5,969)
Profit from operating activities					64,033
Finance costs					(151)
Profit before tax					63,882
Tax					(1,927)
Net profit from ordinary activities attributable to shareholders					61,955

(a) *Business Segments (CON'T)*

	(Unaudited)				
	Rugged footwear	Casual footwear	Baby and children's footwear	Sportswear and sport shoes	Consolidated
	2003	2003	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	146,968	226,197	311,607	7,342	692,114
Segment results	16,207	24,573	33,171	(1,864)	72,087
Unallocated income					2,327
Unallocated expenses					(5,487)
Profit from operating activities					68,927
Finance costs					(257)
Profit before tax					68,670
Tax					(2,229)
Net profit from ordinary activities attributable to shareholders					66,441

(b) *Geographical Segments*

The following tables present revenue for the Group's geographical segments.

	United States of America	Europe	Others	Consolidated
	2004	2004	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	495,254	267,023	69,122	831,399
	2003	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	461,427	195,613	35,074	692,114

3. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	(Unaudited)	
	For the six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of Inventories sold	546,757	425,682
Depreciation	17,383	19,927
Minimum lease payments under operating lease for land and buildings	1,126	1,358
Interest cost on bank borrowings	151	257
Interest income	(1,415)	(1,297)
Staff salaries and wages	123,307	102,353

4. Tax

	(Unaudited)	
	For the six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	24	34
Overseas	1,903	2,195
	1,927	2,229

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

5. Interim Dividend

	(Unaudited)	
	For the six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
2004/05 Interim Dividend of HK3.5 cents (2003/04: HK3.5 cents) per ordinary share	22,919	22,919

The Board resolved to declare an interim dividend of HK3.5 cents (2003: HK3.5 cents) per ordinary share for the six months ended 30th September 2004 payable to shareholders whose names appear in the Register of Members of the Company at the close of business on Friday, 7th January 2005. The dividend is expected to be paid on Friday, 21st January 2005.

6. Earnings per Share (“EPS”)

The calculation of basic and diluted earnings per share is based on the following data:

	(Unaudited) For the six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000
Earnings for basic and diluted EPS	61,955	66,441
	Number of shares	
Weighted average number of ordinary shares for the basic EPS	654,825,625	654,718,682
Effect of dilutive share options	–	82,603
Weighted average number of ordinary shares for the diluted EPS	654,825,625	654,801,285

There is no diluted EPS shown for the period ended 30th September 2004 as the share option outstanding during the period had no dilutive effect on the basic EPS.

7. Fixed Assets

During the period, the Group has incurred approximately HK\$30 million on the 3 lines facilities in Zhongshan, the People's Republic of China (the “PRC”) and that in Vietnam and the facilities in factories were also renewed and upgraded.

8. Accounts and Bills Receivable

The majority of the Group's sales are mainly on credit with varying credit terms of 30 to 90 days. The ageing analysis of accounts and bills receivable is as follows:

	Within 90 days HK\$'000	Between 91-180 days HK\$'000	Between 181-365 days HK\$'000	Over 365 days HK\$'000	Total HK\$'000
(Unaudited) As at 30th September 2004	175,101	1,111	2,458	246	178,916
(Audited) As at 31st March 2004	102,300	458	1,270	475	104,503

9. Accounts Payable

The ageing analysis of accounts payable is as follows:

	Within 90 days <i>HK\$'000</i>	Between 91-180 days <i>HK\$'000</i>	Between 181-365 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
(Unaudited)				
As at 30th September 2004	150,289	9,423	–	159,712
(Audited)				
As at 31st March 2004	112,985	857	147	113,989

10. Share Capital

	(Unaudited) 30th September 2004 <i>HK\$'000</i>	(Audited) 31st March 2004 <i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 ordinary shares at HK\$0.10 each	100,000	100,000
<i>Issued and fully Paid:</i>		
654,825,625 ordinary shares at HK\$0.10 each	65,483	65,483

11. Interest-bearing Bank Borrowings

	(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
Trust Receipt loans, unsecured	4,046	1,528
Bank Loan, unsecured	1,950	5,850
	5,996	7,378
Trust receipt loans repayable within one year	4,046	1,528
Bank Loans repayable:		
Within one year	1,950	5,850
	5,996	7,378
Portion classified as current liabilities	(5,996)	(7,378)
Long term portion	–	–

The banking facilities are supported by corporate guarantees given by the Company and certain of its subsidiaries.

12. Contingent Liabilities and Commitments

As at 30th September 2004, the Group had bills discounted with recourse of approximately HK\$2,506,000 (31st March 2004: HK\$1,117,000). The commitment were as follows:

	(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
Commitments contracted for but not provided in the financial statements in respect of:		
Acquisition of plant and machinery and construction	2,172	4,203
Investment in subsidiary companies	26,236	32,973
Management fee		
– Within one year	310	301
– In the second to fifth years, inclusive	1,240	1,240
– After 5 years	20,614	20,809

MANAGEMENT DISCUSSION AND ANALYSIS

Company Results and Review

Financial Results

In its role as the world's factory, China has been faced over the past year with new challenges precipitated by more than a decade of consistent growth. Bottlenecks and dislocations have emerged as major obstacles for businesses operating in this burgeoning economy. As with other manufacturers on the mainland, the Group has been adversely affected by labour and power shortages, as well as increasing manufacturing costs. Overall market sentiment has improved, but risks and uncertainties still persist, especially in the current volatile-oil-price environment.

Turnover rose by 20% year on year to HK\$831 million with the average selling price ("ASP") improving slightly by 2.7%. Management expects the ASP continuing to improve as the Group adds more premium casual-footwear items to its product offerings.

Gross margin fell 3.4-percentage-points to 14.4% against a backdrop of rising salaries and wages, outsole and other material costs, inbound freight expenses and outbound shipment costs to meet demanding delivery schedules. This also reflected increased research-and-development expenses for new premium casual-footwear products.

Despite cost increases caused by external factors, the Group managed to maintain recurrent administrative and finance costs at stable levels. Net profit fell 6.75% year on year to HK\$62 million. Earnings per share were HK9.46 cents, as compared with HK10.15 cents for the same period last year.

Operational Performance

Tight supply of skilled labour in the Pearl River Delta region has not only resulted in increased salaries and wages but, more importantly, has reduced production efficiency and capacity utilization. This, coupled with progressively more stringent requirements on working and environmental conditions imposed by US and EU customers, has posed considerable pressure on Group operations.

Efficient management of production was also hindered by power shortages, but we have installed 6 auxiliary generators in our Zhuhai and Zhongshan premises as a precautionary measure.

As our shareholders are well aware, our established business strategy of diversifying our production, market and customer portfolios has helped us ride out tougher market conditions. The building of a second production base in Vietnam is one prime example. With the addition of four production lines to the Vietnam facilities, the Group now has 12 lines in that country in operation. The China production base continued with 25 lines, the proposed addition of two production lines in Zhongshan being postponed in view of labour-supply bottlenecks.

During the first half of the financial year, orders from US, European and Asian customers accounted for 60%, 32% and 8% respectively of Group turnover. It is worth noting that, due to our efforts to shift the product portfolio more towards the premium fashion end, further penetration of the EU market resulted in a 36% increase in turnover for this market segment. Our original-design-manufacturing (ODM) edge has not only earned the Group increased orders from existing EU name-brand customers such as Clarks and Caterpillar, but also generated keen interest from new customers in this market.

The US market performed as targeted and continued to contribute a steady stream of income to the Group. The EU market continued to show strong demand, fuelled by the strong Euro.

Facing with fierce competition and a still immature market, our distribution business in mainland China has incurred a segment loss of HK\$2.7 million (2003: HK\$1.8 million).

Future Plans and Prospects

To a considerable extent, the Group has succeeded in mitigating current price pressures by further penetrating the premium European market for higher-value-added items. Despite an inevitable short-term increase in R&D expenses, we believe that by strengthening our ODM capability in the less-crowded niche market of trendy casual footwear, we will be able to enhance overall long-term profitability.

To this end, the Group has made further progress towards achieving the targeted product mix of 40% : 40% : 20% between casual, baby-and-children's, and rugged footwear offerings, respectively. With the pace of growth continuing to level off in the baby-footwear category, our new growth-driver will be the premium-casual category.

Output and contribution from the Vietnam factory has been further fuelled by the addition of two production lines. Planning for the third phase of our expansion in Vietnam is now well under way, with additional site space being reserved for longer-term development.

With postponement of the planned addition of two lines to the Zhongshan factory by 2005, the total number of production lines is expected to maintain at 38 by the end of this financial year, and to 40 lines by the end of 2005.

Further growth of our existing facilities will continue, with enhancement to our development centers in Zhongshan, Zhuhai and Taiwan completed to accommodate the product-development needs of both existing and new customers and for new product types.

We will continue to work with diligence and prudence in managing our business operations and financial resources. Environmental and corporate-accountability stewardship are also long-term commitments for the Group, which marches in step with its world leading name-brand customers in serving many generations of customers.

FINANCIAL POSITION

As at 30th September 2004, the Group, after the anticipated expansion in Vietnam factories and the enhancement of the existing facilities, have a cash position of HK\$148 million (31st March 2004: HK\$180 million). The Directors are of the opinion that the current cash position and available banking facilities of approximately HK\$305 million (31st March 2004: HK\$372 million) will provide sufficient working capital to facilitate its operations and expansion.

As at 30th September 2004, the Group has the total indebtedness amounted to approximately HK\$6 million (31st March 2004: approximately HK\$7.4 million), representing a gearing ratio of approximately 0.9% (31st March 2004: approximately 1.1%), which is the total indebtedness divided by the shareholders equity.

The Group's activities involve currencies such as Renminbi, Taiwan dollars, and US dollars. It is the Group's policy to adopt a conservative approach on foreign exchange exposure management. The Group does not anticipate significant foreign exchange fluctuation as long as the Hong Kong SAR government's policy to peg the Hong Kong dollar to the US dollar remains in effect. The Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finance its operation with internal resources and bank facilities provided by banks in Hong Kong. Interest rates of borrowings are fixed by reference to the USD London InterBank Offered Rate.

DIRECTORS INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 30th September 2004, the interest and short position of the directors in share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Long position in ordinary shares of the Company:

	Number of Shares held, capacity and nature of interest				% of Company's issue share capital
	Directly beneficially owned	Through spouse or minor children *	Through controlled corporation **	Total	
Chen Ming Hsiung, Mickey	7,906,250	9,219,250	269,704,752	286,830,252	43.80%
Huang Hsiu Duan, Helen	9,219,250	7,906,250	269,704,752	286,830,252	43.80%
Lee Kung	–	–	269,704,752	269,704,752	41.19%
Chan Ho Man, Daniel	3,173,750	–	–	3,173,750	0.48%
Kimmel, Phillip Brian	2,400,000	–	–	2,400,000	0.37%

* Mdm. Huang Hsiu Duan, Helen is the wife of Mr. Chen Ming Hsiung, Mickey.

** These shares represents a 41.19% equity interest in the Company and are owned by King Strike Limited. The issued share capital of King Strike Limited is beneficially owned by Chen Ming Hsiung, Mickey as to 75.80%, Huang Hsiu Duan, Helen as to 22.07% and Lee Kung as to 2.13%.

The interest of the directors in the share options of the Company are separately disclosed in Directors' Rights to Acquire Shares or Debentures section.

DIRECTORS INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (CON'T)

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30th September 2004, the following options were outstanding during the period:

	Date of grant	Number of option	Exercise Price HK\$	Exercise Period
Directors				
Chen Ming Hsiung	14th January 2004	550,000	3.225	14th January 2004 to 27th August 2012
Huang Hsiu Duan	14th January 2004	100,000	3.225	14th January 2004 to 27th August 2012
Lee Kung	14th January 2004	400,000	3.225	14th January 2004 to 27th August 2012
Chan Ho Man	14th January 2004	500,000	3.225	14th January 2004 to 27th August 2012
Kimmel Phillip Brian	14th January 2004	500,000	3.225	14th January 2004 to 27th August 2012
		2,050,000		
Other Employees				
In aggregate	14th January 2004	8,000,000	3.225	1st January 2005 to 27th August 2012
	14th January 2004	7,250,000	3.225	14th January 2004 to 27th August 2012
		15,250,000		
Total		17,300,000		

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th September 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of Company's issue share capital
King Strike Limited	Directly beneficially owned	269,704,752	41.19%
J.P. Morgan Chase & Co.	Directly beneficially owned	72,485,399	11.07%

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Apart from the existing share option scheme and the outstanding options as fully described in the 2003/04 annual report, no new share option was granted during the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 4th January 2005 to Friday, 7th January 2005, both days inclusive, during which period no transfers of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 3rd January 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, PRC, Vietnam and Macau employed approximately 20,000 employees as at 30th September 2004. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options may also be granted in accordance to the terms of the Group's approved share option scheme.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or, was not during the six months ended 30th September 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to the retirement and rotation and re-election at the annual general meeting in accordance with the by-laws of the Company.

AUDIT COMMITTEE

The Audit Committee ("Committee") has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including a review of the unaudited interim results for the period.

The members of the Committee included the three independent non-executive and one non-executive directors of the Company for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30th September 2004.

On behalf of the Board
Chen Ming Hsiung, Mickey
Chairman

Hong Kong, 16th December 2004